



DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20350

SECNAVINST 11420.1  
S0-4  
5 February 1982

SECNAV INSTRUCTION 11420.1

From: Secretary of the Navy

Subj: Leasing of Navy-controlled Floating Drydocks

Ref: (a) 10 USC 2667 (NOTAL)  
(b) OPNAVINST 4700.7F (NOTAL)  
(c) NAVSEAINST 4700.7 (NOTAL)  
(d) DODI 7230.7 of 12 June 1979, User Charges (NOTAL)

Encl: (1) Sample Determination and Findings Format  
(2) Minimum Maintenance to be performed by the Lessee of a Navy-controlled Floating Drydock

1. Purpose

a. To establish policy and procedures for leasing Department of the Navy-controlled non-excess floating drydocks.

b. To assign responsibilities within the Department of the Navy for implementation of these policies and procedures.

c. To provide guidance for determining proper lease provisions, including the minimum levels of maintenance and property insurance and guidelines for the determination of fees and other consideration.

2. Cancellation. ASSTSECNAV(I&L) memorandum of 20 November 1967.

3. Background. The inventory of Navy-controlled floating drydocks includes some drydocks which are not required for immediate public use, but which, for mobilization or other requirements, are considered to be non-excess. This instruction applies to all Navy-controlled, non-excess floating drydocks made available for lease under the authority of reference (a).

4. Policy

a. The Assistant Secretary (Shipbuilding and Logistics) may authorize the lease of a Navy-controlled floating drydock when:

(1) The drydock is not excess to the needs of the Department of the Navy, but for the time being, is not required for public use;

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(2) The public interest or national defense will be served thereby;  
and

(3) The lease of the drydock is consistent with the Navy's ship overhaul policies as specified in references (b) and (c); in particular, the policy of accomplishing depot level maintenance in homeport, whenever possible.

b. The principles set forth in the Defense Acquisition Regulation (DAR) shall govern the preparation of solicitations and related documents and the procedures for the lease of floating drydocks.

c. Formal advertising procedures shall be used to solicit offers for the lease of non-excess floating drydocks unless the Assistant Secretary (S&L) determines in writing that other than the use of formal advertising is in the best interest of the government.

d. Title to a leased floating drydock shall remain with the U. S. Government.

e. Drydocks will not be leased under this instruction in competition with private sources of supply.

#### 5. Action

a. The Commander, Naval Sea Systems Command (COMNAVSEA) shall:

(1) Make recommendations to the Chief of Naval Operations via the Chief of Naval Material regarding retention of floating drydocks for public use, the availability of non-excess floating drydocks for lease, the geographic area in which a particular drydock should be made available for lease and the disposal of those floating drydocks no longer required for retention.

(2) Serve as the Navy's program manager for leasing non-excess floating drydocks including preparation of solicitations, evaluation of bids and offers, preparation of appropriate Determination and Findings (D&F) for the approval of the Assistant Secretary (S&L), award of leases after appropriate approval, and lease administration after award. A sample D&F format is provided as enclosure (1).

(3) Maintain a master record of all leases from which management information may be compiled and retrieved.

b. The Chief of Naval Material (CHNAVMAT) shall:

(1) Review and forward to the Chief of Naval Operations, with appropriate endorsements, the recommendations of COMNAVSEA.

(2) Maintain all Marine Survey Reports obtained by COMNAVSEA in accordance with this instruction.

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c. The Chief of Naval Operations (CNO) shall:

- (1) Manage the Navy inventory of floating drydocks.
- (2) Recommend to the Assistant Secretary (S&L), those floating drydocks to be leased as non-excess property and those which are no longer required for retention and are candidates for disposal.
- (3) Recommend to the Assistant Secretary (S&L) conditions to be imposed on the lease of a non-excess floating drydock such as geographic area restrictions which may be required to serve mobilization requirements or other Navy policies.

d. The Office of the General Counsel shall:

- (1) Provide advice regarding all matters of law and regulation incident to the leasing of a non-excess floating drydock.
- (2) Review for legal sufficiency all Determination and Findings (D&Fs) for the lease of a floating drydock prior to signature by the Assistant Secretary (S&L).

e. The Assistant Secretary (Shipbuilding and Logistics) will review and act on the recommendations of the Chief of Naval Operations at the following decisions points:

- (1) Determination that a floating drydock currently is not required for public use, is non-excess and is available for lease in accordance with the criteria of paragraph 4a of this instruction.
- (2) Determination prior to solicitation when other than the use of formal advertising in the lease of a non-excess floating drydock is in the best interest of the government and that the lease will be negotiated.
- (3) Waiver of rental fees and other consideration.
- (4) Execution of a significant amendment to a lease including all extensions of an existing lease.
- (5) As required by paragraph six (6).

f. Determination and Findings (D&Fs) submitted for Secretarial approval may combine two or more of the above decisions in a single document. For example, a single D&F may conclude that a floating drydock is not now required for public use but is non-excess to the needs of the government and therefore may be leased, and also that other than formal advertising is in the best interest of the government and that the negotiation of a lease is appropriate in this instance.

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g. The following documentation shall be forwarded in support of D&F's that authorize a lease requiring the approval of the Assistant Secretary (S&L):

- (1) A copy of the proposed solicitation.
- (2) Justification of the proposed rental fee or other consideration to be charged for a sole source lease.
- (3) Justification of the proposed insurable value (loss/liability) of the drydock.
- (4) A copy of the most recent Marine Survey Report or, if a Marine Survey has not been completed, an inspection report from the cognizant Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP).
- (5) Documentation required by paragraph 6.

6. Preparation of Solicitation, Lease Documents and Determination and Findings

a. The solicitation shall not restrict the location at which a lessee may maintain and operate a Navy-controlled floating drydock within the United States, its territories, possessions and Puerto Rico unless such a restriction is determined necessary in writing by the Assistant Secretary (S&L) based upon one or more of the following considerations:

- (1) Navy policies concerning Naval ships overhaul scheduling, including homeport considerations, expanding Navy requirements and contracting-out policies pursuant to references (b) and (c),
- (2) Mobilization requirements,
- (3) The ability of the drydock to sustain transport/towing without degradation to the dock's operational capabilities,
- (4) Financial impact on the area in which the drydock is then currently located, and
- (5) Other factors which promote the national defense or public interest.

b. Companies leasing another Navy drydock of similar capacity shall be excluded from competition except:

- (1) When it is determined by the Assistant Secretary (S&L) that their participation will promote the national defense or is in the public interest;
- (2) When the drydock is to be operated in a different and remote port; or

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(3) When the similar drydock then under lease to that company is scheduled for disposal within a year from award of the lease of the drydock then under consideration.

c. Drydocks will be leased only to U.S. owned, operated and licensed firms engaged in shipbuilding, ship repair and/or ship overhaul work for use within the United States, its territories, possessions and Puerto Rico unless the Assistant Secretary (S&L) determines that lease to another company, foreign government or international organization is in the public interest or will support the national defense.

d. A bid guarantee in an amount determined by the contracting officer shall be required of all bidders in a lease solicitation.

e. The terms and conditions of any lease authorized under the provisions of this instruction shall be in accordance with reference (a).

f. Reference (a) permits the Secretary to waive the right to terminate the lease at any time. In such a case, the lease shall stipulate that the Secretary of the Navy may terminate the agreement at any time if it is in the interest of national defense. If the lease provisions omit the Government's right to terminate at any time, the D&F must contain a determination supported by a finding that such omission will promote the national defense or be in the public interest.

g. Non-excess floating drydocks will be leased "as is, where is" without any warranty or representation by the Government as to condition.

h. The lessee shall be required to maintain adequate hull damage and third-party liability insurance on the leased drydock. The amount of hull damage insurance shall be based upon the recommendations of a Certified Marine Surveyor who shall report within thirty days of lease award at the expense of the lessee unless the requirement for a Surveyor's inspection and report is waived by the CNO. In the event that CNO determines that the services of a certified Marine Surveyor are not required, NAVSEA shall provide an estimate of the value of the drydock.

i. The lessee shall be required to perform all normal maintenance on the floating drydock as required by the Navy. Maintenance requirements will normally be determined through regular inspection or as recommended by a Certified Marine Survey Report. The lessee shall pay all costs associated with the performance of any Marine Survey required by the Navy not to exceed two such inspections every five years. The Government may at any time conduct its own inspection which may be used to supplement or replace the requirement for a Marine Survey at the discretion of CNO. A provision for performance of a guaranteed minimum amount of annual maintenance to be accomplished over the term of the lease shall be set forth in the lease agreement. Enclosure (2) provides minimum maintenance requirements. Inclusion of such a provision

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will not waive the requirements for a regular Navy inspection or Navy-required Marine Survey Report. Should the minimum amount of maintenance not be performed the lessee shall be required to reimburse the Government the dollar value of that portion not accomplished or, if approved by CNO, these funds may be used to defray the cost of other than normal (capital) maintenance.

j. Lease agreements shall provide a fair market value rental as provided below:

(1) Rental fees determined through competitive solicitation shall be based upon the greater of the following:

(a) The guaranteed minimum annual rent;

(b) 50 percent of the daily charges set forth in the lease for the actual number of days a vessel occupies the drydock; or

(c) 50 percent of the actual charges made by the lessee for the lease period.

(2) In the absence of competition, rent shall be based on one of the following, whichever is higher:

(a) The user rate charged for commercially owned drydocks of similar characteristics;

(b) The fees charged for comparable Government-owned floating drydocks competitively leased within the past five years.

Such comparative rates shall be selected whenever possible from the same geographic areas as that contemplated for the proposed new lease. A copy of these estimates shall accompany all solicitations when presented for approval by the Assistant Secretary (S&L).

(3) The lease may provide that all or part of fair market value will be in the form of maintenance, protection, repair or restoration of the drydock by the lessee.

(4) Under the applicable circumstances set forth in reference (d), the Assistant Secretary (S&L) may waive or reduce fair market value rents.

k. Leases shall normally be for a term not to exceed five (5) years but may contain an option not to exceed five additional years where necessitated by extensive capital investment requirements or other extenuating circumstances. If valid reasons exist for a term in excess of five years, including the use of option provisions, the Assistant Secretary (S&L) must determine in the D&F that such a term will promote the national defense or be in the public interest.

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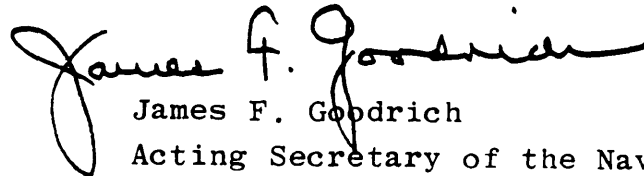
l. When leasing a floating drydock, administrative actions such as determining future military needs, preparing the solicitation, advertising and evaluating bids, will be scheduled so as to award the lease no less than six (6) months prior to the effective date of the proposed lease.

m. The lease shall provide for safe storage of the dock and return to the Navy as specified in the lease upon the termination or expiration of the lease. In the event return of the dock to the Navy is not required as the result of disposal or other reason, the lessee will be required to pay the cash equivalent. Provision should be made when feasible for rent-free mooring space, security and protection for a minimum of three (3) months after expiration or termination of the lease.

n. The lessee shall be required to indemnify and hold harmless the Government, its officers, agents, and employees from any and all claims for loss of or damage to property and bodily injury to or death of all persons in connection with the lessee's use or possession of the drydock.

o. The lessee shall be required to furnish a performance bond in an amount determined by the contracting officer and specified in the solicitation which shall cover the full term of the lease.

p. The lease shall be signed on behalf of the government only by a contracting officer who has been warranted for the execution of such leases.



James F. Goodrich  
Acting Secretary of the Navy

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SAMPLE DETERMINATION AND FINDINGS FORMAT

DETERMINATION AND FINDINGS

AUTHORITY TO LEASE ON AN ADVERTISED BASIS

Upon the basis of the following findings and determination which I hereby make pursuant to 10 U.S.C. 2667, a leasing agreement may be entered into between the Naval Sea Systems Command and a prospective U.S. owned, operated and licensed firm engaged in ship building, ship repair and/or ship overhaul work for the use of the Navy-controlled (include here vessel name, type and hull number).

FINDINGS

1. The Naval Sea Systems Command proposes to formally advertise for bids on a lease of the Navy-controlled (include here vessel name, type and hull number) to ship repair contractors (include here any geographic restriction).
2. The terms of the lease shall comply with the requirements of 10 U.S.C. 2667. Title to the leased property shall remain in the U. S. Government. The aforementioned drydock is not excess property as defined by Section 472 of Title 40, United States Code, and is not, for the time being, needed for public use.
3. It is proposed to formally advertise the lease on a competitive basis for a five-year period, and to enter into a lease with the responsible bidder, whose bid, conforming to the IFB, offers the highest guaranteed minimum annual rental fees. The use of this drydock has not been required by any other Government agency.
4. The proposed leasing action requested herein will permit continued use of the (vessel name, type and hull number), thereby providing for its availability in support of mobilization requirements.

DETERMINATION

Pursuant to the findings set forth above, it is advantageous to the United States and in the public interest to lease (include here vessel name, type and hull number) pursuant to 10 U.S.C. 2667 for use by a firm engaged in ship building, ship repair and/or ship overhaul work for a term of five (5) years.

DATE: \_\_\_\_\_

Enclosure (1)



Minimum Maintenance to be performed by the Lessee of a Navy-owned Floating Drydock

The following minimum maintenance will be performed at the expense of the lessee of a Navy-owned floating drydock:

1. Cleaning, preservation and repair of the exterior and interior of accessible hull structures.
2. Blocking renewals, replacement of bilge block runners and structural supports, and cradle renewals.
3. Minor repairs and replacement or renewal, where necessary, of parts of the pumping and flooding systems.
4. Minor repairs and maintenance of the electric power-generating and distribution systems.
5. Minor repairs and calibrations of water level and draft-indicating systems.
6. Minor repairs and replacements or renewals of parts of service equipment such as compressed air, fire mains, water, steam, CO<sub>2</sub> and sewage systems.
7. Repair and maintenance of cranes, capstans, flying bridges, ventilation systems, fittings, and similar items.
8. Drydock the leased drydock no later than the third year of each five-year lease or option period during which drydocking the underwater hull parts, both interior and exterior areas, shall be cleaned, repaired, painted or treated as may be necessary.

Notwithstanding the minimum normal maintenance expenditure required above, all normal maintenance shall be performed at the expense of the lessee. Repairs which are beyond the scope of normal maintenance shall, if directed in writing by the contracting officer be performed by the lessee and the cost thereof shall be treated as part of the consideration for the lease.